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Assignment 3

MGMT 510 50 A 2020/Spring-Bus Strategy & Management Principles

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Chapter 5 Answer:

*1.*

A Low-cost strategy helps company to save wholesome capital which then is utilized for research and technology advancement for future projects. It is described as a model which allows the Customer to purchase a product at a cheaper rate by Still making profits and by attracting Customers at the same time.

It is a low-cost pricing strategy wherein the company offers low prices to increase demand and the market share. In this case, the company offering lowest cost is the winner. On the contrary, Differentiation involves offering higher value to the customers compared to the competitors’ offerings. This strategy is normally targeted to the different set of customers who do not get a product only for price but for quality. A company must be completely aware of its Customers’ needs and preferences. It requires to continuously innovate and maintain its quality to match up its branding and good will in the current market.

The ultimate goal of both low-cost strategy and differentiation is to stand out in the market in order to hold a greater market share. Both strategies are used for the business advancement and gain higher profits compared to their competitors.

*2.*

Differentiation is an art of planning where the company offers products/services in a unique way as compared to products/services offered by their rivalry/competitors. Therefore, these products or services are offered at a high cost when compared to their rivalry/competitors. As such products and services are considered best and unique in the market, the customers are willing to buy it at much higher prices.

Apple, BMW, Mercedes are some of the examples of differentiation which are brand names offering unique products.

The company invests lot of their time and money in R&D (Research and Development). It requires to do thorough analysis of its customers’ requirements. Differentiation involves products that have some features and dimensions that are different than the normal competitors’ products. The best quality, unique features and good brand value with best marketing strategy incorporates differentiation.

Branding is a Symbol, Design, service or a Name of a specific Company who is known for its uniqueness, Quality, Innovation and their Good Will. Brand Name is developed after a period of time by constantly delivering Good Quality Products when compared to other similar products in the current market

Differentiation and Branding both are related in one way or the other because of the strategy they come up with to stand out from other companies in the market for their Products and Services. Differentiation leads to creating brand name which then needs to be worked upon to maintain their good will in the market.

*3.*

Market is formed of people or organizations that want or can purchase a product or a service. These are nothing but the consumers. Classification of the group of consumers or organizations that have almost similar needs is called market segmentation.

As market segmentation helps to choose a group of consumers with same/similar requirement, it makes it easy for the businesses to understand Customer requirements/needs in a better/best way.

Businesses carry out thorough survey of their consumer groups depending on the product or services offered by them. This is done by talking one on one with customers, through media advertising, research, using various online analyzing tool, studying the market trends and responses, etc. This is how they can divide the huge market into small segments.

Once the business can narrow down their customer market base, they can then focus on that segment for further analysis. All this can be done considering various factors as explained below in the answer. After the segmentation is done, the company can further plan their product/services to meet these customer wants and implement a proper marketing strategy and appropriate prices.

Market segmentation can be done on various aspects depending on the product or service type offered by a business. Below are the four basic types on basis of which market can be segmented:

* **Demographic Segmentation** – This divides the market based on elements like age, gender, education, family, nationality, religion, occupation, social status and many more such demographic aspects. This is the most basic way of market segmentation
* **Geographic Segmentation** – This splits the market according to the geographic conditions like country, population, density, climatic conditions, rural, urban areas, language, city, area, etc.
* **Behavioral Segmentation** – This is one of the most important aspect. It segments the market based on the behavior of the consumer on the website, their shopping habits, usage of the product, loyalty towards product, benefit sought, occasions, etc.
* **Psychographic Segmentation** – This divides the market depending on the customer’s psychology to buy products. This includes their personality traits, values, attitudes, beliefs, lifestyle, interests and concerns.

The market can further be segmented based on the capacity of the people to spend on products and services, firmographic segmentation for B2B companies, seasonal depending on the festivals, generation and life factor like children going to school, college, getting married etc.

Market segmentation is extremely beneficial for businesses to achieve their goals –

* It helps business to know their consumer group and study their likes, preferences and demand. Companies can analyze the requirements along with the gaps of dissatisfaction which can be used as an opportunity to improve or come up with a product/service that will benefit this segment of consumers. This also gives them a proper sense of direction by which they can design their marketing strategies accordingly.
* It is critical for Businesses to provider different products or services price for different market segments depending on customer response to the product/service costs. Market segmentation makes it easy to analyze the pricing offered by different markets. This helps them to fix their product/service prices accordingly thus avoiding overpricing or underpricing.
* It helps to bring about innovation after the exact wants are analyzed and met. Market segmentation makes it easier for businesses to bring about modifications or additions to the product/services offered as they can get into the minds of their consumer segment as to what exactly is their expectation from the brand.
* Knowing the gaps for customers dissatisfaction, the businesses can take advantage to introduce new products/services which will help them gain profits. Thus, segmentation helps businesses to bring to market more consumer specific products/services which leads to higher revenues and return on investment.

Market segmentation helps businesses to target right group of people who will actively tend to respond to their products or services, instead of marketing it to all the audiences in general. This helps businesses to invest in marketing and advertising for only the segmented group of people which leads to possibilities of more consumers getting involved in the product or services and eventually helping in increased return on investment. It also helps businesses to use their company resources efficiently.

Chapter 6 Answer:

Fragmented industry is described as one where many firms competes with one another and holds a small market shares with the competitors. Whereas Consolidated industry is described as number of companies which controls a large market shares/output for a particular product or service. In this case, no single company is in a stronger or influential position in the industry. The fragmented industry has less barriers for the new companies to enter the market as compared to the consolidated industry.

Industry where a smaller number of Giant Companies dominate the market and holds a significant/high market share is said to be consolidated industry. This industry offers relatively high barriers to entry compared to the fragmented industry.

Differences between consolidated Industry & Fragmented Industry are as follows:

* The major difference is that the Fragmented Industry contains big number of small companies while the Consolidated Industry comprises of few companies which are major in their filed and dominate the market.
* The cost to enter the fragmented industry market is less and have few influential competitors which makes it easy for a new company to make its mark in the industry. Since there are big influential companies, it becomes difficult for a new business to make its place in the consolidated industry. Also, the cost of entering these markets is very high.
* Competition is much stronger in the fragmented industry as there are many companies entering frequently and they offer products and services like others. The main competitive strategy is the quality and prices of products and services offered by these firms. Since there are few big well-known pioneering companies involved in the consolidated industry, the competition is comparatively less.
* In a fragmented industry, new companies have more opportunities and in a consolidated industry the opportunities are limited as the market niches are less.

Once an industry is formed, it goes through four major phases of industry life cycle; opening, growth, maturity/focus and balance and alliance. Mostly when company is in the maturity phase, the consolidation of industry takes place. Consolidation takes place when more than one competitor businesses come together to form a new company. Industry is said to be consolidated to increase their returns on Investment, to reduce the cost and to stop producing products which are not performing/doing well to achieve effective operations and strong resources.

*2.*

The opportunities and advantages that the consolidated industries offer are as follows:

Since, only a limited number of companies dominate the market, the product or service prices can be controlled to their advantage.

The operational costs and expenses are reduced by eliminating unwanted staff and administrative work along with reducing operational redundancies.

As one company merges with another and then another, this leads to a bigger market with a huge customer base which eventually leads to more sale and high profits.

This also adds to their resources and an increase in the expert base which helps to improve the products and services.

The competition is minimal and so the companies can concentrate more on the product research and development.

The labor and staff too can get paid with better wages.

*3.*

Horizontal Integration circumscribe companies that obtains/acquires alike company which is said to be operating in the same Industry. On the other hand, Vertical Integration circumscribe the businesses that obtain/acquire a separate company that is said to be operating wither before or in other cases after obtaining company in the production process.

Horizontal Integration can increase their size by lowering the cost structure i.e, by reducing production of duplicates among two companies and by creating increase in economies of scale, utilizing competitive advantage, increase in bargain power i.e, by gaining greater control over suppliers and buyers. There are certain disadvantages too like Abusing Market Power, demolishing potential competitors and it is difficult to implement. Exxon and Mobil are one of the examples of Horizontal Integration which are big oil Industry distinct Giants

Vertical Integration on the other hand has more control to rule component part of the solution stack by value adding improvement. They are efficient and flexible but have greater risk of exposure and disruptions. If a product has become successful, then they harvest a huge benefit from their success. There are lot of Retailers which can be described as an example of Vertical Integration. The company is responsible to own Manufacturing a product, control the distribution and is known to be a Retailer, therefore cutting any middle layers in the supply chain which makes it simple for the Business to offer a product just as a brand product at a very less price. The major drawback of this integration is expense. Companies need to invest a huge capital initially to set up its bases and keep on running to maintain efficiency and profit